College Made Utopias
and
Labor Unrest

By DORR E. FELT
President Felt & Tarrant Mfg. Co.
Chicago

JUNE 24, 1919

COLLEGE MADE UTOPIAS AND LABOR UNREST.

From the many learned discussions of Capital and Labor appearing in public print, I am forced to the conclusion that the opinions there expressed are in the main derived from theories founded upon academic study of the subject. And as I read I cannot escape the reflection that if these writers with all their power of analysis and ability to express their views, only had a practical knowledge of the subject, they could write in a way that would throw much light on economic industrial questions.

After this statement I suppose I should qualify, as to my own practical knowledge of the subject. I worked for many years at the bench as a machinist. I have been an employer for twenty-eight years. I have been quite active in public affairs. I was a member of the commission sent by the United States Department of Labor to investigate conditions in England and France. The report on England has been printed and when I came through Washington a few weeks ago, the report on France which I wrote myself after an investigation made by myself, was in the hands of the printer. I am also President of the Illinois Manufacturers' Association.

Much of what is said in the published articles is correct as far as it goes but the question is usually discussed as though the only elements involved in modern economics were Capital and Labor. Neither of these is the most important factor. The most

important factor is the entrepreneur—that is, the man who takes the risk and makes the wheels go round, not so much by investment of his money, as by giving his time and often his health to the intensive labor and effort which is sometimes referred to as "directive faculty." Such men often risk their money also.

Modern discussion of economic and labor questions is usually based on the assumption that the issue is between "Labor and Capital." As far as the human interest is concerned there are three elements: the Entrepreneur, the Labor and Capital. The capital will flow into industry if risk and prospective profit make industry more attractive than safer investments, like United States Bonds for instance. In the affairs of industry, commerce, transportation, etc., there are for capital all degrees of safety and hazard, ranging all the way from United States Bonds down to the exploitation of a new invention. The greater the risk the greater must be the prospective profit; otherwise capital will not be obtained. The losses experienced by capital invested in the more risky enterprises probably equal the profit experienced by those who succeed. We forget those who fail and regard only the profits of the successful. Yet, from an economic standpoint with respect to the welfare of all the people, it is probably true that the money so risked is more beneficial than the money invested in safer channels.

The fourth factor affecting economic questions in any country is natural resources. This is quite as important from the standpoint of the working man or the industrial captain as is either capital or labor. Abundance of food and abundance of minerals, such as coal, iron and copper, have meant as much to the

American laboring man, as has also the willingness of American capital to invest in industry and transportation enterprises. But the one indispensable factor, which countries like Russia, India and China, who possess the other three factors, need, is capable and enterprising entrepreneurs. England and America have in the past enjoyed the services of this class of men. Many of such men have built up great industries with practically no capital. No amount of capital and labor can accomplish anything unless directed by the capable entrepreneur of whom there never has been and never will be enough in any country.

Neither the entrepreneur nor the capital, for risky enterprises, will be forthcoming if we continue to talk along the line that labor is entitled to participation in the profits of the successful. The very prevalent talk of that kind and the discussion of "voice in management" in the sense that it is understood in America and in France, will tend to discourage industry and react to the disadvantage of labor. The same term as understood in England is not harmful. Certainly capital will not invest and capable men will not give their lives to the development of business if after they have made it a success, they must divide the prize with other men who have taken no such risk and given to it no corresponding intensive effort and exercise of genius. In the case of a concern which took twenty years without profit to build up and then in the harvest time is realizing a profit of one hundred or one thousand per cent on the capital invested; it would be impossible to convince workmen having a voice in management that they were not entitled to fancy compensation. As a matter of fact the capable entrepreneur must be unhampered in the

conduct of his business either by stockholders or workmen. I am familiar with a case where, after seventeen years of inability to make any money, a business was split into two parts, one practically without capital and the other with over a million dollars. One partner took the part without capital and while his associate, a man who had been very successful in building up a large business along conventional lines, was losing one million two hundred and twenty thousand dollars, the man who took over the business with practically no capital, made a million dollars; which came in very handy in helping the losing business to close up without going through bankruptcy. It was a big price to pay to be set free from "voice in management" but it was worth it. If it comes to a case of choosing between quitting or giving labor a voice in the management of that business, in the sense that expression is usually understood in America, it is obvious what choice that manager will make.

As for "voice in management" in the sense they understand it in England, the workmen in my own business have always had a voice in management; that is, the opportunity to express their desires and voice their complaints and even more, they have always had the privilege of fixing the number of hours they should work and what hours out of the twenty-four, the working hours should consist of.

Due to the excitement occasioned by the War and the failure of workmen to realize that the high wages they received under government control involved the mortgaging of the future of peoples for a generation or more, there will be a very considerable amount of social unrest for some years. It cannot be avoided; however, there is no danger whatever that the social structure of America will be overturned by anything like the Bolshevik.

I do not believe there is any danger of revolution in any of the countries of Western Europe. There will be some bloodshed, that is the price that even we in America will have to pay for the pseudo economic theories preached by the college professors and theorists who have no real knowledge of the fundamental factors of social and political economy. If those without practical knowledge of such matters would leave the industrial employers and employees alone there would be less unrest and less bloodshed. They lecture the employer, not realizing that if the employer gave all his profits to labor, it would not appreciably affect the workmen's income. They entirely ignore the fact that in the end the consumer pays any increased cost of production and that in the main the workman is the consumer. I have always felt that the man who works with his hands does not receive his full share of the combined products of labor, capital and enterprise. But, I believe that nobody yet has brought forward a scheme for a social structure which will afford for the working man a greater enjoyment of the good things of life than our present social and industrial system. During recent years organized industrial workmen have enjoyed more than formerly but that has resulted in increasing the cost of manufactured articles which he consumes and also the cost of the products of the soil which have become more expensive because the good pay and conditions in factories draw workers away from the farms, thus decreasing the possible volume of agricultural products. No matter how we may fix up a broad artificial plan for increasing the industrial worker's compensation, the fact that he is dependent on capital and the entrepreneur for a chance to work at all and the further fact that he is the prin-

cipal consumer in the long run, when we put it into practice, we will find that he is no better off in the end than he would have been under normal competitive labor conditions.

Of course one class of labor may benefit by artificial raise of wages, but in that case it is principally at the expense of other classes of workers. I believe the workmen themselves understand this better than the employers. They appreciate, and many of them state frankly, that it is a race between the various crafts to see which can boost their wages the fastest. They also now realize, as never before, especially in England, that workers in some countries have in the past by restriction of output, put themselves out of employment instead of making employment for a greater number of toilers, due to the inability of the employer to compete with manufacturers of other countries in producing articles the cost of which is principally labor.

The workman is not wholly to blame for the present industrial unrest. There are some "stand pat" employers. There is about as much fault on one side as on the other and there always will be friction. Some employers in some industries cannot afford the liberal treatment of employees which others easily practice. The employees in some countries can never experience the prosperity which those in other countries enjoy because of the difference in natural resources and captains of industry and commerce.

Agitation and revolution will accomplish nothing in the way of relieving those disadvantageously situated. If they would emigrate and pioneer places on the earth suitable for white people, they would

accomplish something for the general benefit of mankind. The hardy and brave people who pioneered America did a thousand times more for mankind than did both the French Revolutions. The course which revolutions run usually, is a beginning consisting of the introduction of moderate measures put forth by theorists for the benefit of the poor and which in practice leave the poor worse off than before. The next step is something more radical and the revolution proceeds through successive steps, each more radical than the former until conditions become unbearable and autocracy is welcome and then society begins to rebuild on conservative lines directed by an autocrat. I believe that the intelligence of the common people in America and Western Europe is sufficient to check Bolshevism before reconstruction of society has progressed very far. If the theorist would leave the workmen alone there would be very little trouble. The out and out radicals are not very dangerous unless they have a foundation of theoretical preaching furnished by supposedly disinterested and enlightened authorities. I hold no brief for the labor union official but I know that often he is more enlightened on economic subjects and more reasonable than the average employer or college professor.

Most employers are too busy and their time is too valuable to society to be spent on academic study of sociological questions. When the theorists mix in, they usually make a mess of it.

In all these questions remember, that there will never be enough successful employers for the good of society; that in the matter of living conditions the desires and needs of mankind are unlimited and that the condition of the working man in any

country, occupation or time, is only comparative. At the present time the conditions of various classes of workers are very unequal. This is due to two causes, first the labor unions have artificially benefited certain classes of workers at the expense of others, and second, the War has done the same thing. At the present time the French continually repeat the proverb, "La guerre c'est la misere de quelques-uns et la fortune d'autres." Also remember that there will be no more to divide than is produced; that the cost of articles of consumption will be in proportion to the cost and abundance of production; that where the wages of any class have already been artificially raised above the normal a further raise is an injustice to other classes of workmen; that agitation discourages industry and the effect is a less production and consequently a higher living cost and less opportunity for employment.

Today the working man should pray to be spared from the injury which he will sooner or later suffer as a consequence of the activities of his theoretical friends.